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Date: 9/4/2015

GAIN Report Number: E15036

EU-28

Post: Brussels USEU

Pork Markets Swimming in EU Pork

Report Categories:

Livestock and Products

Agricultural Situation

Agriculture in the News

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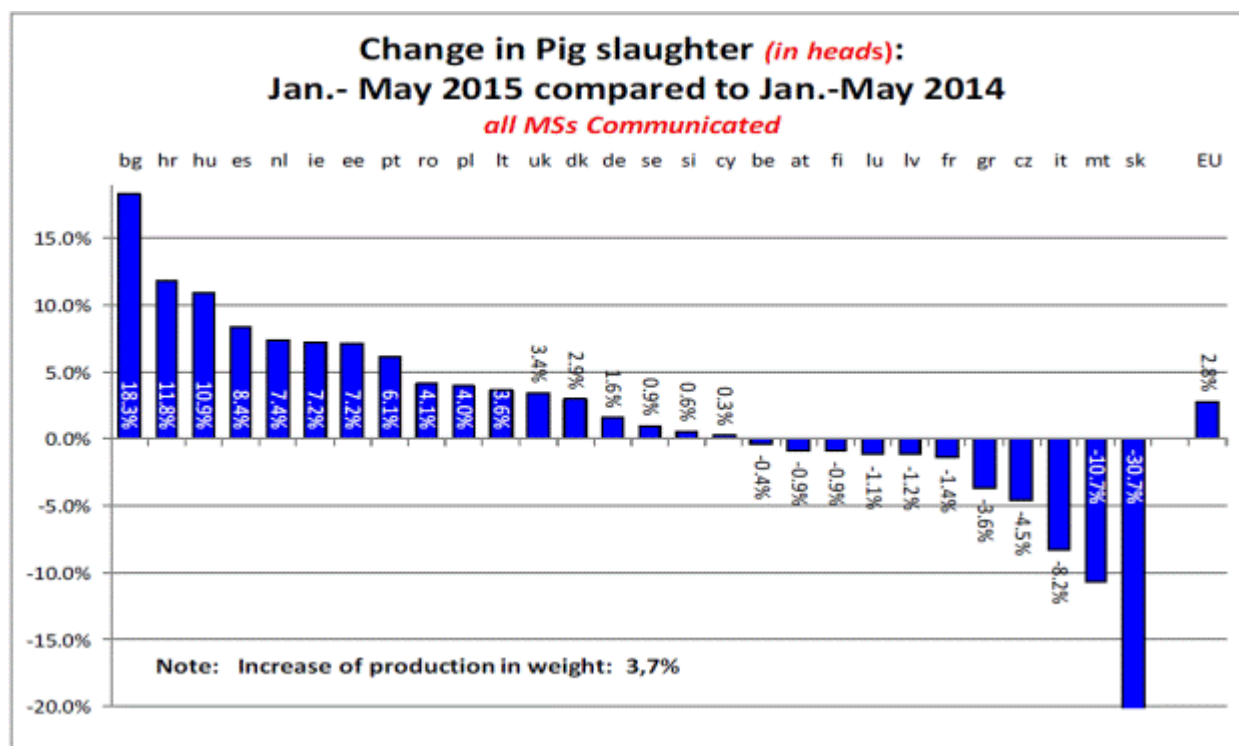
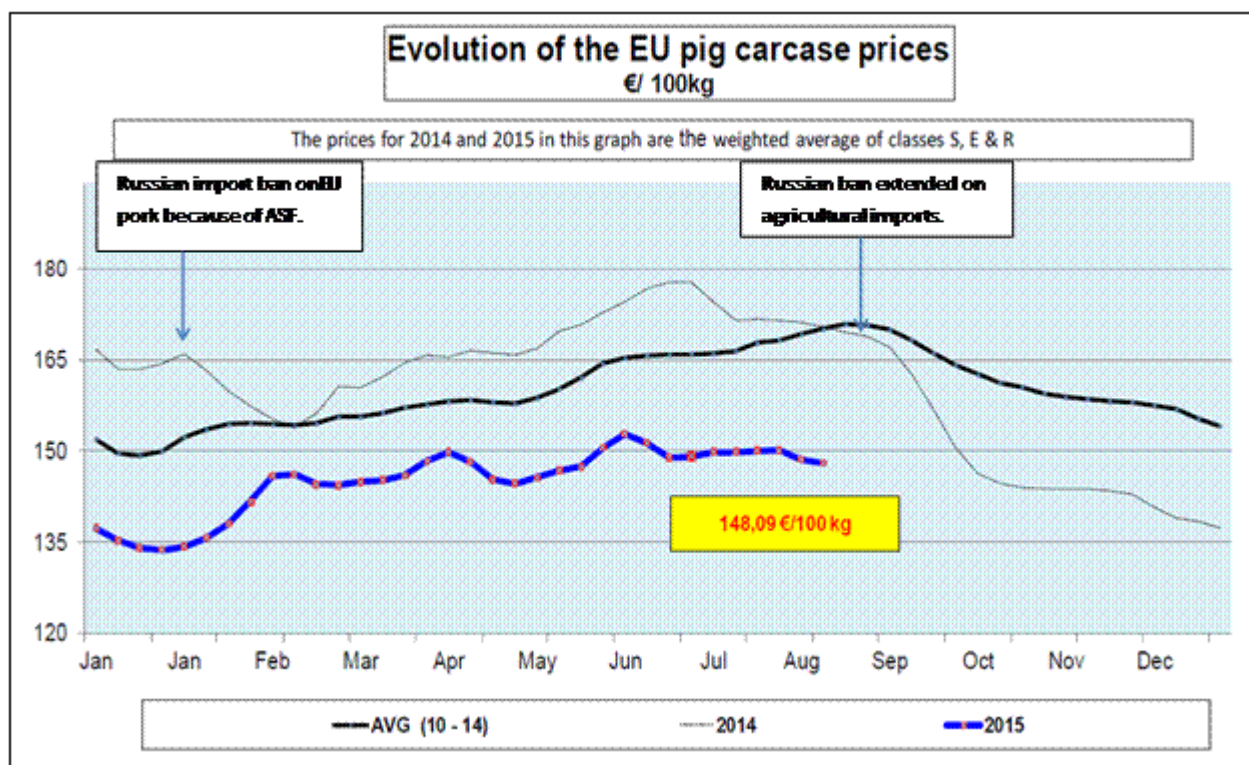
Report Highlights:

On September 7 an extra-ordinary Agricultural Council will be held in Brussels. It was called by the Luxembourg EU presidency in response to farmers' protests in various member states against low prices for mainly dairy, pork and fruit and vegetables. Large numbers of farmers from various member states are expected to gather in Brussels, bringing tractors and cows in front of the EU institutions. This crisis results from the 2014 Russian ban on agricultural imports at a time that EU production was gearing up while domestic consumption was slow as a result of the economic crisis. This report particularly focuses on the EU pork crisis.

General Information:

Pig farmers in the EU have been complaining for several years about low pork prices, leading many to refer to the persistent low EU prices as a “pork crisis.” In 2015, [EU pork prices](#) decreased 15 percent compared to the previous year. However, this reflects a range of price drops: while prices in some Member States (MS) like Belgium and The Netherlands are down 20 percent, prices in Sweden decreased only by 4 percent. The bottom of the EU pork price curve was reached in January 2015 (see graph on EU pig carcass prices below), after which prices slowly increased again. Price gaps between MS are large with Class E carcass prices varying from €121-122 in Belgium and The Netherlands to €145-147 in Germany and France, and from €154-155 in Spain and Romania up to €175 in Sweden and €186 in the United Kingdom.

The blame for the pork price “crisis” is usually put on the Russian import ban, which began in January 2014. However, the perceived crisis also results from major production increases in some MS (Spain, Poland, Netherlands, and Germany) at a time when domestic consumption was under pressure from decreased consumer confidence due to the economic crisis and the Greek financial crisis. While the Russian trade embargo meant lost pork exports of 750,000 MT to Russia, these losses were mostly compensated by increased exports to Asia. Additionally, EU pig slaughter actually increased 2.8 percent in the first five months of 2015 as compared to 2014, compared to a 1.8 percent increase for 2014 compared to 2013. Combined with increased carcass weights, the 2015 increase in pork output is 3.7 percent compared to 2014. However, the outlook for EU pig markets is improving again as abundant 2015 grain and soybean crops are expected to lead to lower feed prices, which should result in better margins for pig farmers.



Source: European Commission

Special Agricultural Council in Response to Farmer Protests

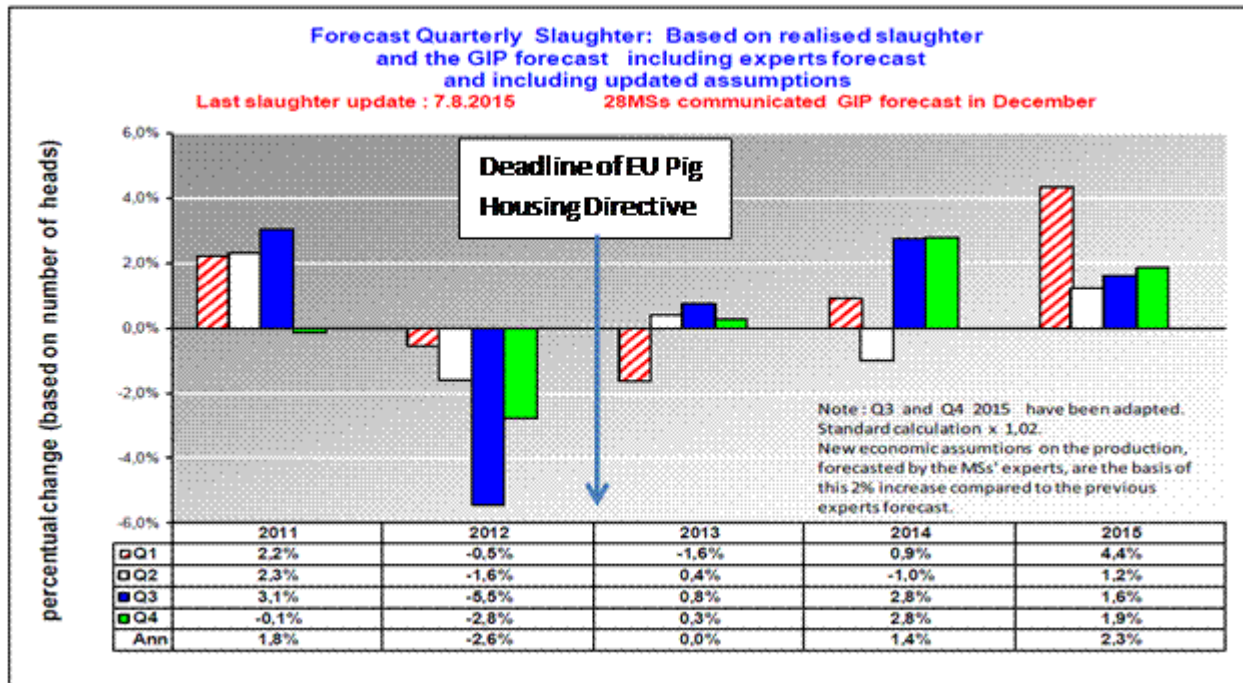
European farmers began protesting about low pig prices in August when French pig farmers from Brittany demanded higher prices and tried to block pork imports from Germany and Spain. The French government was quick to react by promising that French pork prices should be guaranteed at €1.40/kg. However, this guarantee would only be on a voluntary basis by the French pork industry. Within days, it became clear that this was an empty promise as some of the major processors refused to sign into this guarantee. At the same time, farmer protests expanded to Belgium and Spain, while Germany and Spain also protested the French farmers' attacks on pork shipments. On August 31, Irish farmers protested in Dublin and over 1,500 tractors drove through Paris in a protest on September 3, 2015. As a result, the incoming Luxembourg Presidency Agricultural Minister Etgen called for the special September Agricultural Council on September 7, 2015, dedicated to the agricultural crises in the pork, dairy and fruit and vegetable sectors.

In the run-up to this special [September 7 Agricultural Council](#), the farmers' union umbrella organization [COPA-COGECA](#), as well as farmers' organizations at MS level, are rallying farmers for a major demonstration around the EU's headquarters in Brussels. Flemish farmers' union [Boerenbond](#) is even offering free train tickets to its members for joining the protest.

Ahead of the special Agricultural Council, farmer's unions are lobbying for price relief at the MS level. France, Germany and the United Kingdom are attempting to reinforce domestic buying policies with retailers, while the Belgian farmers' unions negotiated a €30 million support package with the whole pork distribution chain in the form of a supplement per sow paid to farmers above the pig price.

At the Council meeting, the European Commission (EC) is likely to propose measures such as enhancing pork promotion measures both externally and domestically, as well as measures to address sanitary and phytosanitary-related restrictions and other non-tariff barriers for pig meat in third countries like Russia, Belarus and Japan. The EC may also try to speed up access to countries with recently-concluded free trade agreements such as Vietnam. However, expectations that the Agricultural Council will propose and agree to strong measures on prices are slim as the Common Agricultural Policy (CAP) does not provide additional money for market measures. It is also unlikely that finance ministers from the MS would agree to provide additional funding under the current budgetary situation.

Background



Source: European Commission

EU pig farming and slaughter decreased in 2011 and 2012 as farmers were forced to adapt pig barns to meet the December 31, 2012, deadline for adjusting pig housing (e.g., the sow stall ban for pregnant sows) as imposed by [Council Directive 2001/88/EC](#). Many older and uncompetitive farmers quit pig farming at that time, while farmers who made investments in new barns planned for expanding production. This new pig production capacity slowly became operational in 2013 and was at full capacity in 2014, taking advantage of then-high pork prices. However, Russia banned all EU pork outbreaks in January 2014 after outbreaks of African Swine Fever (ASF) in Lithuania and Poland because the EU has no regionalization agreement with Russia. In late August 2014, Russia formalized the import embargo by banning all agricultural imports from the EU, Norway, Canada, the United States and Australia in retaliation for sanctions against Russia after their annex of Crimea. Russia extended the import ban for another year in August 2015.

Even with the Russian ban, European pork exports in 2014 decreased by only 5 percent to 2.9 million MT, as EU pork was able to readily find new outlets in Asia, replacing U.S. pork after the porcine epidemic diarrhea virus (PEDV) outbreaks in the United States. Even the value of EU pork exports decreased by only one percent, indicating that prices did not decrease as much as feared. The only EU pork product that reportedly had difficulty finding new markets was the roughly 200,000 MT of pork fat previously exported to Russia. EU pork exports in the first half of 2015 were up by 3.6 percent, although competition in Asian markets is again increasing with the renewal of U.S. exports after the end of the PEDV epidemic. However, the weaker Euro relative to the U.S. dollar means that European export prices remain favorable for the time being.

